

STATE INVESTMENT COMMISSION
MINUTES
June 12, 2000

The State Investment Commission meeting was called to order by Jonathan Miller, State Treasurer on June 12, 2000 at 2:00 p.m. in Room 264 of the Capitol Annex. Members present were John P. McCarty, Secretary, Finance and Administration Cabinet; Orson Oliver, Bank of Louisville; Thomas Brumley, Area Bancshares Corporation; and Jonathan Miller, State Treasurer.

Treasurer Miller confirmed that quorum was present and the press was notified of the meeting. On a motion by Mr. Oliver with a second by Thomas Brumley, the minutes for the March 3, 2000, meeting were **APPROVED**.

Gordon L. Mullis, Executive Director, Office of Financial Management ("OFM"), provided a brief economic update referring the members to the Kentucky Economic Indicators, Attachment A, in the board material. Mr. Mullis informed the Commission that growth in May was 22 percent over the same time period last year. This is due in part to an increase in individual income tax payments and a lower average refund to the taxpayer. Kentucky has realized over 5 percent in growth to date and it appears that the revised forecast for FY 2000 will be met.

On a national level, the major sources for the forecasted increase in FY2000 are personal consumption expenditures, which were up 4.6 percent, and investment, which was up 10.8 percent. Real GDP has averaged over four percent during the last three years and is expected to peak this year at 4.5 percent.

Treasurer Miller introduced Resolution SIC 00-01:

**A RESOLUTION OF THE STATE INVESTMENT COMMISSION OF THE
COMMONWEALTH OF KENTUCKY APPROVING BROKER/DEALERS FOR
FISCALYEAR 2001.**

Treasurer Miller asked the difference between primary and non-primary dealers. Mr. Mullis informed the Commission that primary dealers are those dealers that are permitted to buy directly from the FED. Non-primary dealers are those who are not. However, they are added to the list by having a business nexus in the state.

Mr. Mullis added that Resolution 00-01 is an update to the Resolution adopted in December 1999 and indicated that the firms of Greenwich Capital Markets and Zions Bank are being added as primary dealers and Nancy Barron & Associates and Dain Rauscher are being added as non-primary dealers. The approved list will be in effect through Fiscal Year 2001. Staff recommends approval of the additions and requests that the Commission adopt the Resolution.

Treasurer Miller called for a motion to adopt Resolution SIC00-01. A motion was made by Orson Oliver and seconded by John McCarty. Motion CARRIED and Resolution SIC 00-01 was adopted.

Mr. Mullis discussed Attachment C, the portfolio update. Mr. Mullis indicated that the Bloomberg analytical package is now available to OFM and allows staff to provide general information to the Commission members regarding the Commonwealth's portfolio. An overall summary page and a listing of the securities held within each pool is provided for the intermediate, the long-term and the bond proceeds pools and has been generated from the new analytical program. There are also charts comparing performance for each pool in Attachment C. Mr. Mullis informed the Commission that modified duration for the intermediate pool is 1.53 year, which is short, but given market activity is acceptable. The modified duration for the long-term pool is 2.3 years and for the bond proceeds pool is 1.56 years. Mr. Mullis further noted that each of the pools was performing above the Index at the end of May.

Secretary McCarty asked Mr. Mullis about the status of the short-term pool. Mr. Mullis indicated that there was a cash pool but because it is a money market pool it is not included in the book.

Treasurer Miller asked if any Commission member had further comments or questions regarding the information present. With no further business before the Commission, the meeting was adjourned.

Gordon L. Mullis, Secretary
State Investment Commission.